

GAO

Report to the Chairwoman, Subcommittee  
on Military Installations and Facilities,  
Committee on Armed Services, House of  
Representatives

May 1992

NATO  
INFRASTRUCTURE  
PROGRAM

As Threat Declines,  
NATO Reduces  
Expenditures



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**United States  
General Accounting Office  
Washington, D.C. 20548**

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**National Security and  
International Affairs Division**

B-247929

May 1, 1992

The Honorable Patricia Schroeder  
Chairwoman, Subcommittee on Military  
Installations and Facilities  
Committee on Armed Services  
House of Representatives

Dear Madam Chairwoman:

This report responds to your request that we examine the changes that the North Atlantic Treaty Organization (NATO) has made to its infrastructure program as a result of the political changes in Europe over the last few years.

We are sending copies of the report to the Secretaries of Defense and State; the Director, Office of Management and Budget; appropriate congressional committees; and other interested parties.

If you or your staff have any questions about this report, please call me on (202) 275-4128. Major contributors to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in cursive script that reads "Joseph E. Kelley".

Joseph E. Kelley  
Director, Security and International  
Relations Issues

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# Executive Summary

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## Purpose

Recent changes in Europe's political, economic, and military environment have caused the North Atlantic Treaty Organization (NATO) to reassess potential military threats and its future defense strategy. Congress reduced the President's appropriation request for funding the U.S. portion of NATO's infrastructure program for fiscal year 1991 from \$325 million to \$192.7 million, about 48 percent of the 1990 appropriations level. As NATO reevaluates its strategy and force alignments, it is also reviewing requirements for existing and planned infrastructure projects.

The Chairwoman, Subcommittee on Military Installations and Facilities, House Committee on Armed Services, requested GAO to review the impact on NATO's infrastructure program. Specifically, GAO reviewed

- NATO's efforts to reassess existing infrastructure program requirements,
- the impact of reduced U.S. funding on NATO's infrastructure projects, and
- the results of U.S. military commands' review of U.S. user infrastructure requirements.

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## Background

The infrastructure program provides wartime facilities and equipment for NATO's military forces, with its costs shared by most of NATO's 16 member nations. The United States, one of the principal users of constructed facilities, pays about 27.8 percent of the infrastructure program costs. In May 1990, the Supreme Allied Commander, Europe ordered a review of infrastructure program requirements. He directed a moratorium on new construction starts for projects such as aircraft shelters and forward storage facilities and the revalidation of all other planned and programmed projects. Because user nations must pay operation and maintenance costs of all new facilities and U.S. budget cuts were imminent, U.S. military commanders ordered an even closer assessment of future infrastructure project needs.

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## Results in Brief

NATO eliminated or deferred projects valued at \$1.4 billion by March 1991 and an additional \$291 million in November 1991. These projects were approved for the period 1985-1991. More importantly, NATO has lowered annual projected expenditure and program levels by 25 percent. However, the revalidation had only limited impact on NATO's 1991 expenditure level, which approached the record expenditure level set in 1990.

The Department of Defense (DOD) was able to increase funds available for the 1991 program by increasing recoupments<sup>1</sup> from prefinanced projects, using funds deobligated from canceled projects, and taking advantage of a procedural change that deferred the need to obligate construction funds for certain projects. GAO's analysis showed that after fiscal year 1993, little if any recoupments or deobligated funds are anticipated. This could force DOD to either request higher appropriations or seek an even smaller NATO infrastructure program.

Of the \$1.4 billion of projects canceled or deferred by March 1991, the U.S. commands were responsible for canceling or deferring projects valued at \$1.2 billion. Although the majority of canceled projects were U.S. user projects, the United States is expected to obtain approval of U.S. user projects at least equal to the level of current U.S. contributions, 27.8 percent. For example, 41.4 percent of the approved 1991 program consisted of projects directly benefiting the United States. In addition to the \$1.2 billion in canceled or deferred U.S. user projects, GAO identified \$177 million in projects NATO had approved for funding but were no longer required. However, these projects were not canceled either because they had progressed too far to economically justify termination or the design phase of the project had been completed. GAO also found that delayed base closure announcements by DOD and untimely decisions concerning future NATO military requirements after those announcements resulted in unnecessary contracting costs of over \$5 million for infrastructure projects. GAO's review of NATO infrastructure projects programmed for Keflavik Naval Air Station in Iceland questioned the continued justification for \$178 million for six requirements. Of this amount, NATO subsequently canceled defense projects valued at \$81.5 million. GAO believes the remaining projects may not be required.

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## Principal Findings

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### Planned Expenditure Levels Are Expected to Fall in 1992

The NATO infrastructure program has historically been built around funding levels (ceilings) agreed to by the NATO defense ministers and a list of approved prioritized projects. Required projects were selected from the priority list to match available funding. Thus, deleting a project did not

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<sup>1</sup>The U.S. government will finance some projects without receiving advanced approval by NATO. After the projects are completed, the United States will submit a request to NATO for reimbursement. If NATO approves the request, the United States recoups its initial investment from NATO.

normally reduce the infrastructure budget; it merely made room for another project to move up on the priority list. For example, although NATO's review resulted in the cancellation or deferral of projects valued at \$1.4 billion, in March 1991, NATO continued to set a 1991 expenditure level close to the record \$1.8 billion level set in 1990. However, NATO has subsequently made deep cuts in the 1991 approved program and more cuts are likely. NATO currently projects expenditure levels to fall from \$1.7 billion in 1991 to between \$1.3 and \$1.4 billion in 1992.

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### NATO'S Reevaluation Reduced Its Program by \$1.7 Billion

NATO's infrastructure project review, as of March 1991, resulted in closer scrutiny of proposed projects and a \$1.4 billion reduction in programmed liabilities (i.e., financial increments remaining to be funded for previously approved projects). On November 8, 1991, the Supreme Headquarters Allied Powers, Europe either canceled or deferred additional projects valued at \$291 million contained in the approved 1991 program; additional deletions are likely. The total program reduction to date is \$1.7 billion. In addition, NATO removed \$965 million in future program liabilities (i.e., projects waiting to be funded but not yet included in an approved NATO program). The 1991 program is currently projected to total only \$1.2 billion, compared to the \$1.7 billion approved by NATO in July 1991. Projects deleted from the 1991 program are not being replaced by new projects. Future funding requirements will therefore be lower.

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### Unless Program Is Further Reduced, Higher Appropriations May Be Requested

After 1993, higher appropriations may be requested unless the infrastructure program is further reduced. Pressure to increase U.S. appropriations will develop from a number of factors. First, only \$27 million in recoupments will remain after 1993 to supplement appropriations because DOD no longer prefinances projects. Second, although the 1990 review canceled or deferred about 36 percent of the European infrastructure requirements, NATO has begun to increase the number of projects awaiting funding. Therefore, a greater percentage of 1994 appropriations will be needed to meet prior year commitments and less will be available for new commitments unless appropriations are increased. Third, in 1991, the United States stretched its obligation authority as a result of NATO's change in procedures, which required only design phase funding to be obligated initially and allowed construction phase funding to be approved at a later date. This change enabled NATO to include more new projects in its 1991 program. However, by 1994, this change will have little impact on funding as NATO funds new projects entering the design phase as well as the construction cost of projects

previously approved. The need for increased appropriations could be avoided if additional reductions in approved programs occur. This may be possible as countries redefine military missions, adjust force goals, and make additional drawdowns.

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**U.S. Command Review  
Removes U.S. User Projects  
From Program**

U.S. commands canceled 57 projects valued at \$414.5 million and deferred 74 others totaling about \$792 million. NATO defense ministers had previously authorized these projects as part of NATO's 1985-1990 program. However, the projects, for the most part, had not advanced to the stage where NATO grants the host nation contracting authority. Accordingly, the United States had not obligated any funds to cover its share. GAO identified \$177 million in project costs considered unnecessary because the U.S. command deleted the military requirement for these projects. Cost could not be avoided as either project design cost had already been incurred or project construction continued because work had progressed too far to economically justify termination. Also, five other deleted projects, valued at over \$5 million, were started or continued because of delayed U.S. base closure announcements and untimely decisions concerning future NATO mission requirements.

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**Atlantic Command Canceled  
Few Projects**

NATO and U.S. commanders responsible for North Atlantic operations believe that cutting the force structure in Europe will make it more important than ever to be able to rapidly reinforce Europe. They also believe that the threat from hostile attack through the North Atlantic, particularly from submarines, is still a real one. As a result, the Supreme Allied Commander, Atlantic canceled fewer ongoing or approved projects from 1985 through 1990 than did the Supreme Allied Commander, Europe, according to U.S. officials. The Supreme Allied Commander, Atlantic has canceled or deferred 18 projects in the last 2 years, with a total value of \$203.1 million. This does not include any projects administered by the U.S. Commander in Chief, Atlantic Command, where the United States was both the host and user nation. The U.S. Commander deferred 44 future projects, valued at \$658.3 million, where the United States was both host and user nation.

GAO's review of projects planned for Keflavik Naval Air Station in Iceland disclosed that projects valued at \$178 million may not be needed because they would provide capability beyond current requirements. Also, operation and maintenance funds would not be available to support new facilities. For example, one project that would increase capability beyond

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current requirements is for the construction of 10 100,000-barrel depot storage jet fuel tanks. This project was designed to replace old and leaking facilities, improve capabilities, and increase storage capacity. Seven of the 10 jet fuel tanks are in use, and the U.S. Atlantic Command continues to pursue construction of the remaining three storage tanks. GAO believes the three remaining fuel storage tanks may be unnecessary because existing or planned storage facilities, excluding these three tanks, appear to about fully meet NATO and U.S. requirements.

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## Recommendations

To avoid unnecessary NATO infrastructure costs, GAO recommends that the Secretary of Defense endeavor to make base closure announcements in adequate time to prevent contracting for projects that are no longer needed. Also, to prevent unnecessary infrastructure expenditures after base closure announcements, GAO recommends that the Secretary of Defense require U.S. European Command officials to work closely with NATO to expedite decisions to cancel unneeded projects.

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## Agency Comments

GAO did not obtain agency comments on this report. However, GAO discussed the facts in a draft of this report with program officials from DOD, the U.S. mission to NATO, and the U.S. European and Atlantic Commands and incorporated their comments where appropriate.





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**Abbreviations**

CINCLANT	Commander in Chief, Atlantic Command
DOD	Department of Defense
GAO	General Accounting Office
IAU	Infrastructure Accounting Unit
IPPC	Infrastructure Payments and Progress Committee
NATO	North Atlantic Treaty Organization
SHAPE	Supreme Headquarters Allied Powers, Europe
SACEUR	Supreme Allied Commander, Europe
SACLANT	Supreme Allied Commander, Atlantic

# Introduction

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In 1949, the North Atlantic Treaty Organization (NATO) was formed to unite the strength of its member nations and resist armed aggression. NATO currently has 16 members and seeks to preserve peace and international security by promoting stability and well-being in the North Atlantic area. The allies collectively field nearly 6 million military personnel, about 22,000 tanks, 6,700 aircraft, 2,200 helicopters, and numerous other equipment. The NATO infrastructure program supports the operational military requirements of assigned forces.

The NATO infrastructure program was created in 1951 so that member nations could share the costs of building and maintaining essential wartime facilities and equipment, such as airfields, missile sites, communications equipment, and in-place storage facilities for war material and ammunition. Project funding, which is based on negotiated cost-sharing formulas and a nation's ability to pay, has averaged over \$1.7 billion per year since 1987 and is shared by the member nations, except Iceland, France, and Spain.<sup>1</sup> All participating member nations must approve funding for proposed facilities and equipment. In 1991, the United States contributed about 27.8 percent of infrastructure program funding on projects in which France and Spain did not participate. These contributions do not include funding for the routine operation and maintenance of facilities, nor do they include such items as personnel, administrative support, training, and other essential peacetime support requirements. The user countries fund these items separately.

In past years, NATO has originated projects in response to the Soviet Union and Warsaw Pact threat. These factors still influence NATO projects, even though the Warsaw Pact has dissolved and the threat from the former Soviet Union has diminished. However, NATO has begun to reassess potential military threats and its future defense strategy as it attempts to redefine its mission and tailors the national force structures to fit the new environment.

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<sup>1</sup>France does, however, contribute to projects related to radar systems and some projects in the petroleum, oil, and lubricants category. Spain will participate in one project for the transfer and destruction of equipment specified under the Conventional Armed Forces in Europe Treaty.

NATO will base its future strategies on arms control, reduction of conventional forces, and an enhanced political role in the transformation of Europe, according to NATO defense ministers.<sup>2</sup> Within this context, NATO is reviewing its requirements for existing and planned infrastructure projects.

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## The NATO Infrastructure Process—How It Works

The process for approving the annual slice is as follows:

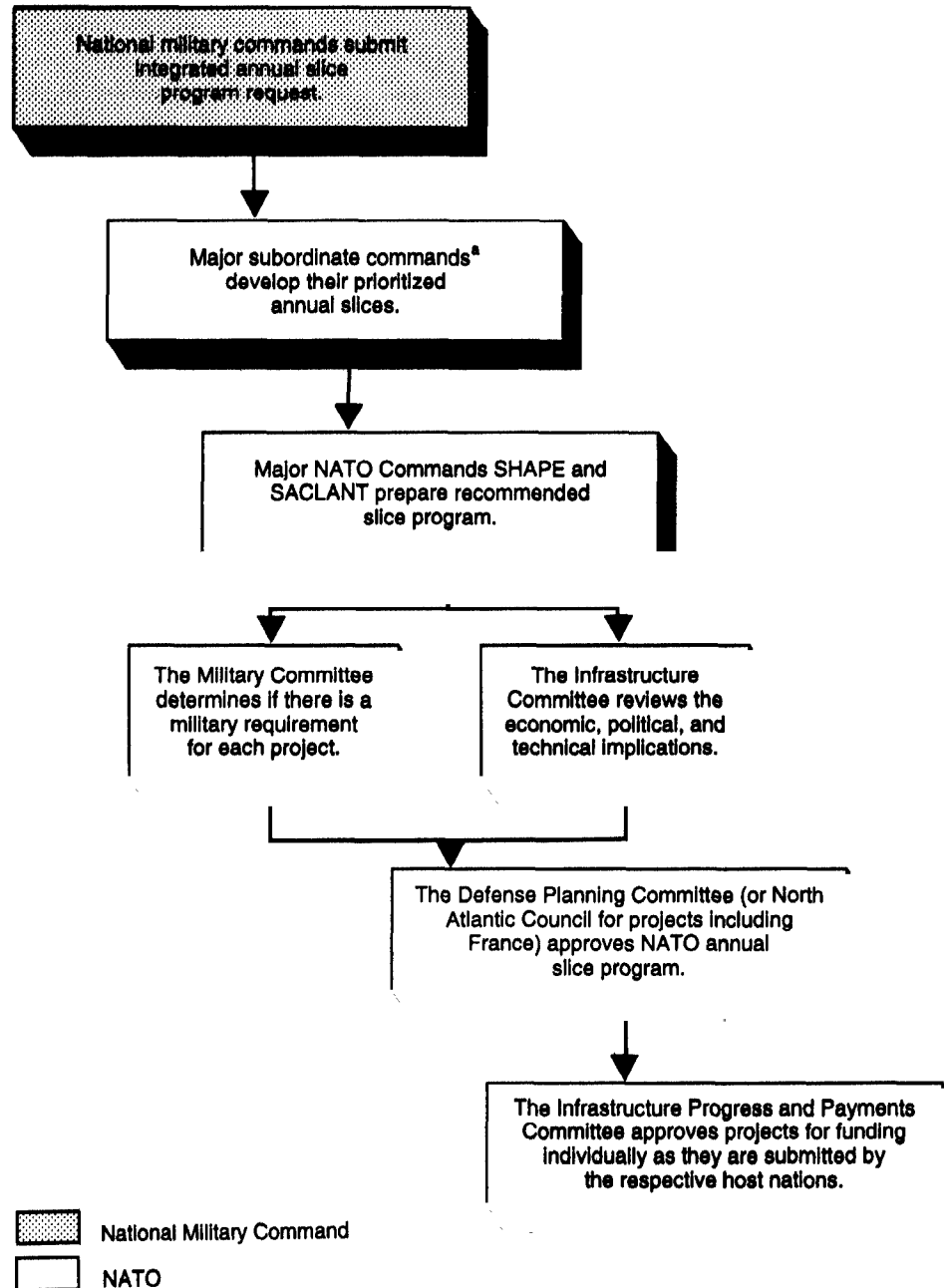
- NATO approves projects to be funded each year based on member nations' priorities. Each member's major military commands identify their priority projects and submit the list to the NATO major subordinate command, such as the Allied Forces Central Europe. These NATO commands integrate the requirements of country military commands and send the prioritized annual program to the appropriate major NATO command headquarters—the Supreme Headquarters Allied Powers, Europe (SHAPE) and the Supreme Allied Commander, Atlantic (SACLANT). Each annual program is referred to as a slice and numbered sequentially. For example, the 1991 program is known as slice 42.
- SHAPE and SACLANT prepare an annual slice program containing a list of projects recommended for funding each year. The major NATO commands forward the list to various NATO committees for review.
- NATO's Military and Infrastructure committees review each project and submit the slice to the North Atlantic Council or the Defense Planning Committee for approval. The Military Committee focuses on military requirement aspects of the projects, while the Infrastructure Committee evaluates the technical, economic, and political aspects of the project.
- Once approved, individual projects are submitted to NATO's Infrastructure Payments and Progress Committee (IPPC). IPPC, consisting of representatives of each member nation, reviews each project and, if unanimously approved, authorizes host nations to commit funds and, unless otherwise agreed, competitively award contracts. It may be several years from when a project is approved by the North Atlantic Council or the Defense Planning Committee until work on the project actually starts.

The process followed to develop NATO's annual program and U.S. input is shown in figure 1.1.

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<sup>2</sup>The Defense Planning Committee comprises the NATO defense ministers, with the exception of France, and the North Atlantic Council consists of ambassadors from all member nations.

Figure 1.1: Processing of U.S. Projects Included In an Annual Slice



<sup>a</sup>Major subordinate commands, through the major NATO commands, are responsible for projects within their respective geographic areas (e.g., Allied Forces Northern Europe and Allied Forces Southern Europe).

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## Budget and Payment Process for Program Funds

NATO members, except for the United States, obligate funds when the host nation presents bills to IPPC. The United States obligates funds when the IPPC authorizes a project. As a result, the United States often takes years to expend obligated funds because of the time it takes for project design, contract award, and construction. As of August 31, 1991, U.S. unliquidated obligations totaled over \$623.5 million.

The Department of Defense (DOD) prepares the infrastructure budget request for submission to Congress. The U.S. mission to NATO provides input to DOD as part of the budget development process. The Office of Management and Budget authorizes the U.S. mission to obligate the funds once Congress approves annual appropriations.

Fund disbursement does not occur until IPPC authorizes payment. Member nations prepare financial reports semiannually on the status of individual projects and submit them to the Program Coordinator, NATO International Staff. The coordinator then authorizes the transfer of funds between nations. The amount of the transfers is based on a participating nation's contribution percentage and total funds requested to pay outstanding infrastructure bills. A nation immediately pays the first half of the amount owed and pays the second half in the next quarter of the year.

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## Payment Authorization Procedure

IPPC revised its funding procedures in 1990 and began funding infrastructure projects in two stages. Once a project is approved, IPPC authorizes only the funds necessary for project design. After the design phase is completed, the host nation submits the project to IPPC for approval of its construction phase. Upon approval, construction costs are normally authorized for only 1 year at a time.

Releasing only enough funds to pay for 1 year of construction allows NATO to review the need for projects before it releases additional funds. It also allows NATO to defer obligations for future year construction costs without affecting the rate at which projects are implemented.

## Objectives, Scope, and Methodology

The Chairwoman, Subcommittee on Military Installations and Facilities, House Committee on Armed Services, asked us to determine how the recent changes in Eastern Europe have affected NATO's infrastructure program. Specifically, she asked us to review

- NATO's efforts to reassess existing infrastructure program requirements,
- the impact of reduced U.S. funding on NATO's infrastructure projects, and
- the results of U.S. military commands' review of U.S. user infrastructure requirements.

To obtain information on NATO's efforts to reassess infrastructure program requirements, we visited Supreme Headquarters Allied Powers, Europe, Belgium, and the U.S. mission to NATO, Brussels, Belgium. We interviewed officials and gathered data pertaining to U.S. appropriations, funding obligations, and outlays for infrastructure projects.

To obtain information on U.S. military commands' review of U.S. user projects, we interviewed officials and gathered and analyzed information from Headquarters, U.S. European Command, Stuttgart, Germany; U.S. Air Forces in Europe, Ramstein Air Base, Germany; U.S. Army, Europe, Heidelberg, Germany; U.S. Navy, Europe, London, England; and the U.S. Atlantic Command, Norfolk, Virginia. To visually inspect and gather information on the need for ongoing projects, we visited three U.S. Army, Europe, projects: two forward storage facilities in Germersheim and Kaiserslautern, Germany, and an ammunition storage depot in Twisteden, Germany. We also visited U.S. Air Forces in Europe infrastructure projects at Hahn Air Base, Germany; Aviano Air Base, Italy; and Royal Air Force bases, Lakenheath and Alconbury, in the United Kingdom. We selected these locations because (1) the base was in the top five for most ongoing restoration and/or construction projects with the greatest dollar value or (2) the base was scheduled for either partial or complete closure. We did not visit Zweibrucken Air Base. We reviewed infrastructure project files for this base and held discussions with U.S. Air Forces in Europe officials because we identified ongoing projects there, although closure of the base had been announced.

We also visited the U.S. Naval Air Station in Keflavik, Iceland, to review the justification and status of ongoing and planned projects. About 38 percent of the U.S. Atlantic Command's 1991 infrastructure program is being built in Keflavik.



We focused on NATO's review of infrastructure project requirements programmed or funded in slice years 1985 through 1990. For requirements that had been canceled or deferred by NATO and the U.S. commands, we analyzed the reasons why projects were canceled or deferred and identified the number, value, and types of projects. Our review also included an examination of projects not canceled or deferred to determine if (1) they complied with the Supreme Allied Commander, Europe, moratorium and (2) construction had started or recently been completed at any base scheduled for closure. Our analyses do not include changes in the status of requirements that occurred after our visit. We did not have authority to verify results of the infrastructure project review and revalidation by other NATO nations.

We conducted our review between March 1991 and February 1992 in accordance with generally accepted government auditing standards.

# Reduced U.S. Funding Has Limited Near-term Impact

The United States significantly reduced its fiscal year 1991 appropriations for the NATO infrastructure program, but the U.S. mission to NATO was able to cover all but \$15 million in U.S. obligations for the year. The \$15 million had to be carried over to fiscal year 1992. The funding shortfall would have been much greater except for accelerated U.S. recoupments and NATO deobligations totaling almost \$100 million. Revised NATO project funding procedures also helped by deferring some project construction costs to future years.

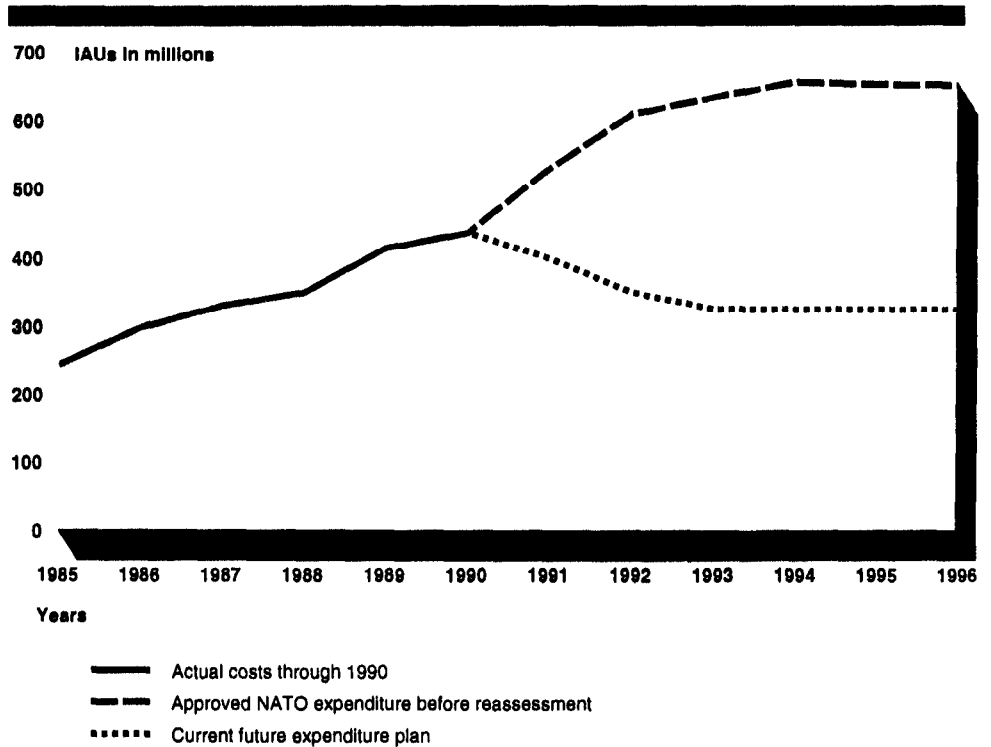
The potential for additional recoupments and deobligations is very limited, and the change in NATO project funding procedures will provide only short-term relief. As a result, increased U.S. appropriations may be needed for NATO's infrastructure program, perhaps as early as fiscal year 1994, if NATO is to maintain its current levels of infrastructure funding.

## NATO Plans Lower Expenditure Levels

NATO's original 1991-1996 plan called for further expenditures totaling about 3.7 billion IAU<sup>1</sup> (\$15.4 billion). The plan called for increasing annual expenditures from the 437 million IAU (\$1.8 billion) 1990 level to 651.7 million IAU (\$2.7 billion) by 1996. With the changes in Europe, NATO members decided such growth in infrastructure project spending would no longer be justified. NATO members agreed on a 400 million IAU (\$1.7 billion) spending level for 1991 (slice 42), and in March 1991, the NATO Infrastructure Committee projected maintaining that level through 1993. However, according to U.S. officials, NATO has recently lowered its earlier expenditure projections beyond 1991 to between 325 (\$1.4 billion) and 350 million IAUs (\$1.5 billion). Figure 2.1 shows NATO's actual infrastructure expenditures from 1985 through 1990 and those planned between 1991 and 1996, before and after NATO revised its expenditure plans.

<sup>1</sup>One Infrastructure Accounting Unit (IAU) equals \$4.161 unless otherwise noted. This is the rate in effect January 1 through June 30, 1992.

Figure 2.1: NATO Infrastructure Expenditures From 1985 Through 1996



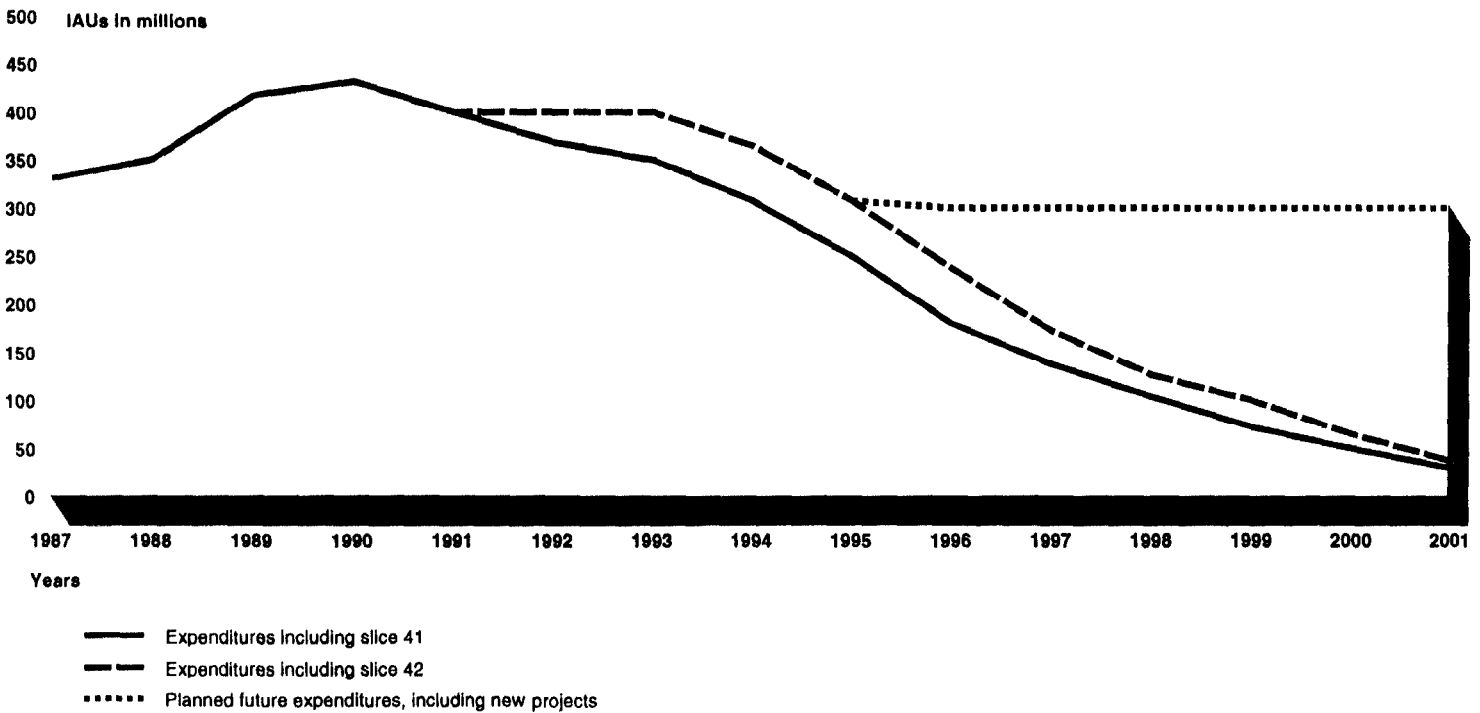
After IPCC authorizes project funding, expenditures generally occur over several years. Before NATO approved the 1991 program (slice 42), it had 1 billion IAU (\$4.2 billion) in outstanding project funding commitments lasting through the year 2001.

Figure 2.2 shows the rate at which these funds will be expended without the approval of any new projects. Without the approval of slice 42, NATO's expenditures would have fallen below NATO's earlier desired annual level of 400 million IAU in 1991. With the approval of slice 42 at the 400 million IAU level, NATO projected expending 400 million IAU (\$1.7 billion) annually through 1993. The rate is projected to fall to 300 million IAU (\$1.2 billion) sometime in 1995 unless new projects are approved.

Figure 2.2 also shows NATO's plans as of February 1992 to maintain future expenditures at about the 325 million IAU level. If expenditure levels decline as currently projected, the size of future programs will also decline. As noted in chapter 3, SHAPE and SACLANT have canceled or deferred U.S.

projects from slice 42, thus reducing it from 408 million IAU (\$1.7 billion) projected in March 1991<sup>2</sup> to 316 million IAU (\$1.3 billion). DOD estimates that an additional 22 million IAU are likely to be deleted from slice 42. Furthermore, slice 43 (1992) is currently projected to contain projects valued at 300 million IAU (\$1.2 billion). These lower program levels will shrink the pipeline and should eventually translate into lower expenditure levels.

**Figure 2.2: Impact of Slice 42 on Projected Expenditure Funding**



<sup>2</sup>In July 1991, NATO approved slice 42, which includes projects valued at 402 million IAUs. The sum included 15.3 million IAUs for the relocation of the 401st Tactical Fighter Wing.

## Smaller Recoupments May Result in Higher Appropriation Requests

Congress appropriated \$192.7 million to fund the U.S. portion of NATO's infrastructure program for fiscal year 1991, about 48 percent of fiscal year 1990 appropriations. The U.S. mission to NATO, which administers U.S. funding of NATO activities, lacked sufficient obligation authority at the end of fiscal year 1991 to support all projects submitted to IPPC. As a result, according to U.S. mission officials, the United States had to carry over \$15 million in 1991 U.S. commitments to fiscal year 1992. Carried-over commitments have normally been funded immediately upon receipt of the next year's obligation authority and would not have to be brought up again before IPPC. As indicated in table 2.1, the U.S. funding shortfall would have been much worse if the United States had not almost doubled its recoupments from the previous year and received a \$43.8 million deobligation windfall from NATO's review of projects in slices 36 to 41.

**Table 2.1: U.S. Funding for the Infrastructure Program From 1988 Through 1993**

Dollars in millions						
<b>Funding source</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>
Appropriations	\$373.0	\$456.0	\$402.8	\$192.7	\$225.0	\$221.2 <sup>a</sup>
Recoupments	11.7	59.0	28.7	55.0	75.0	59.1 <sup>b</sup>
Deobligations	0	0	0	43.8	<sup>c</sup>	<sup>c</sup>
<b>Total</b>	<b>\$384.7</b>	<b>\$515.0</b>	<b>\$431.5</b>	<b>\$291.5</b>	<b>\$300.0</b>	<b>\$280.3</b>

<sup>a</sup>Estimated in February 18, 1992, budget request.

<sup>b</sup>Based on a DOD estimate.

<sup>c</sup>Information not available.

The United States was also able to stretch its fiscal year 1991 obligation authority as a result of a NATO change in project approval procedures. In the past, the design and construction phases were approved simultaneously when a project first came before IPPC. Under the revised procedure, when projects are first submitted, IPPC approves only the design phase. The project must be submitted to IPPC a second time for approval of the construction phase. As a result, the United States is required to obligate funds to cover only the design phase and is no longer required to obligate funds for any project construction costs when the project is first submitted to IPPC. While the procedural change reduced U.S. funding requirements beginning in 1990, it will have progressively less of an impact in future years as projects previously approved for design begin entering the construction phase. However, since each project will have to be revalidated before IPPC can approve the construction phase, it is likely that if funding becomes even tighter, some projects will not be continued

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into the construction phase. Any member nation can prevent a project from entering construction by withholding funding.

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**Pressure to Increase Appropriations Caused by a Number of Factors**

After 1993, higher appropriation requests may be likely unless the infrastructure program is further reduced. In addition to the reduced benefits from NATO's change in funding procedures, pressure to increase U.S. appropriations will come from a number of other sources. First, since proposed projects are receiving much more scrutiny before they are submitted to IPPC for design approval, in future years there will likely be fewer opportunities for deobligations in later phases. Second, the pool of available recoupments will eventually dry up. DOD has estimated that once fiscal year 1992 and 1993 recoupments are received, only \$27 million will remain to be recouped from projects financed prior to fiscal year 1991. (See ch. 3 for further discussion on deobligations.)

Third, although the 1990 review canceled or deferred about 36 percent of the European infrastructure requirements, NATO has once again begun to increase its inventory of projects to be funded. This is occurring because after NATO approves a particular slice, projects within the slice may not be presented to IPPC for several years. For example, DOD anticipates that 20 percent of the SHAPE projects in slice 42 (1991) and 40 percent of projects in slice 43 (1992) will not have been approved by IPPC by fiscal year 1994. Therefore, a greater percentage of 1994 appropriations will be needed to meet prior year commitments, and less will be available for new project commitments contained in slice 44. For example, if the 1994 infrastructure program appropriations remain around the \$225 million level authorized in 1992 and proposed in 1993, the United States would be able to support a 1993 infrastructure program of only about \$832 million. This estimate assumes that current practices are followed and 60 percent of slice 44 (1993) is presented to IPPC in 1994.

Finally, the U.S. mission is analyzing the financial implications of expanding the types of projects eligible for infrastructure funding, including environmental restoration of NATO facilities and bases occupied by more than one NATO country and operation and maintenance costs associated with facilities that solely support reinforcing forces. If NATO approves infrastructure projects in additional categories, U.S. annual appropriations may need to be increased. Member nations would have to unanimously approve any expansion in the types of projects eligible for NATO infrastructure funding.

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## **Conclusions**

NATO has lowered its projected annual infrastructure expenditures and program levels by about 25 percent. These measures have ensured a smaller future NATO infrastructure program; however, NATO's 1991 expenditure level remained close to the record expenditure level set in 1990.

Congress' fiscal year 1991 appropriation for NATO's infrastructure program was only about 48 percent of what Congress had appropriated the previous year. DOD was able to meet all but \$15 million of U.S. obligations in fiscal year 1991 by increasing recoupments from prefinanced projects, collecting NATO deobligations, and taking advantage of a change in NATO funding procedures that deferred construction costs for some projects. These measures will provide only short-term relief for the United States. If NATO continues to approve an infrastructure program at its current level, DOD will need increased U.S. funding as early as fiscal year 1994 to meet our obligations. However, the need for increased appropriations could be avoided if additional program reductions occur. This may be possible as countries redefine military missions, adjust force goals, and make additional drawdowns.

# NATO Reevaluation Reduces NATO's European Program Commitments by One-third

NATO revalidated infrastructure projects it had approved in 1985 through 1991 (slices 36 through 42) in light of changes its member nations are making in their force structures. So far, NATO has either eliminated or deferred projects valued at \$1.7 billion. The reassessment is continuing and additional reductions are likely. However, the cancellations resulted in limited deobligations of funds because most of the canceled and deferred projects had not received a NATO funding commitment. That is, they had never been funded by IPPC and were only eliminated from NATO's long-term plans. Thus, NATO's review actually eliminated only \$157 million for projects approved for contracting, resulting in \$43.8 million in U.S. deobligations.

For U.S. user projects, some new contracts were awarded and some ongoing contracts were allowed to proceed at U.S. bases that were slated for closure because DOD did not always promptly announce the closure. Others were allowed to proceed pending NATO's determination on whether a wartime mission existed at a base slated for closure.

## Guidance Used to Revalidate Infrastructure Projects

In May 1990, the Supreme Allied Commander, Europe (SACEUR) ordered NATO members to revalidate all infrastructure projects programmed and planned for facilities supporting their forces in slice years 1985 through 1990. The 1991 program (slice 42) has also since been revalidated. SACEUR issued the only guidance for reviewing the program in the form of a moratorium on the construction of new aircraft shelters, forward storage facilities, and construction at bases collocated with host nation forces. He also

- restricted additional facility construction at airfields and fuel storage construction;
- deferred all command and control projects; and
- froze most projects in the reinforcement support category, particularly storage for prepositioned war reserve material.<sup>1</sup>

In addition to SACEUR's guidance, U.S. military commands considered the operating costs for facilities that would be constructed when revalidating

<sup>1</sup>Prior to this action, NATO had 13 categories under which projects could be funded. After SACEUR's decree, NATO could still fund some projects in the airfields category; and any projects in the petroleum, oil, and lubricants; the Naval Bases Fleet activities; warning installations; navigation aids; communications; surface-to-air missiles; surface-to-surface missiles; ammunition storage; training installations; and war headquarters categories.



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projects since user nations must pay the operation and maintenance costs. U.S. military officials told us they also considered planned U.S. force reductions, troop drawdown decisions, and scheduled base closures during their requirement revalidation.

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## **NATO Reduced Its Program Commitments by \$1.7 Billion**

NATO's infrastructure project review completed in March 1991 resulted in a 345.6 million IAU (\$1.4 billion) reduction in programming commitments (i.e., portions of projects yet to be funded that were approved between 1985 and 1990). According to NATO officials, this reduction represented about a one-third reduction in NATO's future programming scope. After March 1991, NATO continued to delete projects remaining in approved programs. On November 8, 1991, SACEUR either canceled or deferred projects valued at \$291 million contained in the approved 1991 program; additional deletions are likely. Program reductions to date therefore total \$1.7 billion. The March 1991 reassessment also resulted in NATO's removal of 212.8 million IAU (\$885.5 million) in future program commitments.<sup>2</sup>

Although NATO canceled numerous projects, U.S. funds deobligated from these projects appear limited, totaling only about \$43.8 million. The low rate is partly attributable to the fact that most cancellations and deferrals involved many projects programmed but not yet authorized for funding by IPPC. Further, there is not going to be much of an impact on U.S. funding commitments because the United States had not yet obligated funds for most of these projects. No additional U.S. deobligations are expected as a result of the \$1.7 billion reduction in NATO programming commitments.

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## **Results of U.S. Commands' Review of Infrastructure Projects**

As part of the revalidation of NATO projects, U.S. commanders identified U.S. user projects valued at \$1.2 billion of the \$1.4 billion NATO project total. Most of these projects had not yet been approved by IPPC. U.S. commanders canceled 57 projects, valued at \$414.5 million, and deferred 74 others, totaling about \$792 million. However, for many of the projects that had been approved by IPPC, U.S. officials told us work had progressed too far to economically justify termination. For example, we also identified \$177 million expended for U.S. user projects approved by IPPC that were no longer required. These projects were deleted as a military requirement but cost could not be avoided as project construction continued or project

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<sup>2</sup>Future program commitments are financial increments to projects remaining to be included in a future slice not yet approved by NATO.

design costs had already been incurred. It should be noted that the United States is expected to obtain approval of U.S. user projects at least equal to the level of current U.S. contributions—27.8 percent. For example, 41.4 percent of the approved 1991 program consisted of projects directly benefiting the United States.

We also identified projects that were either started or continued at U.S. bases slated for closure. One reason these projects went forward was that official action to cancel projects cannot be taken until DOD officially announces a base closure. In addition, in some cases, NATO and U.S. command officials contributed to unneeded projects going forward by not making timely decisions about the projects after the base closure announcement. U.S. officials noted that although the United States identified these projects as no longer fulfilling a military requirement, only the host government or NATO can terminate contracts related to a canceled project. Appendix I lists the results of the U.S. military commands' review in Europe.

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**Projects Constructed at  
Bases Scheduled to Close**

We found that the closure of Hahn Air Base was not announced by DOD in time to cancel contracts for ongoing and planned construction. Also, decisions delayed by NATO and U.S. Air Forces in Europe officials after announcing the intended closure of Zweibrucken Air Base resulted in contracts awarded for about \$1.8 million for projects no longer needed. The United States obligated about \$2.6 million for projects at these bases, based on its 27.8 percent contribution to NATO infrastructure programs, and nearly \$1.2 million in conjunctive funds.<sup>3</sup> Table 3.1 shows the cost of projects initiated at the two bases after base closure discussions.

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<sup>3</sup>Conjunctive funds relate to money spent by the United States that is not reimbursed by NATO. Generally, these funds are used for project upgrades exceeding NATO standards.

**Chapter 3**  
**NATO Reevaluation Reduces NATO's**  
**European Program Commitments by**  
**One-third**

**Table 3.1: Total Costs of Questionable Projects Initiated or Continued at Hahn and Zweibrücken After Base Closure Discussions**

Dollars in thousands <sup>a</sup>				
Date contract awarded	Total NATO funding	U.S. share (27.8%)	Air Force conjunctive funding	Total U.S. costs
<b>Hahn</b>				
Oct. 1990	\$2,225	\$619	\$82	\$701
Nov. 1990	275	76	3	79
Feb. 1991	792	220	127	347
<b>Subtotal</b>	<b>3,292</b>	<b>915</b>	<b>212</b>	<b>1,127</b>
<b>Zweibrücken</b>				
Feb. 1990	1,720	478	987	1,465
1990 <sup>b</sup>	127	35	<sup>c</sup>	35
<b>Subtotal</b>	<b>1,847</b>	<b>513</b>	<b>987</b>	<b>1,500</b>
<b>Total</b>	<b>\$5,139</b>	<b>\$1,428</b>	<b>\$1,199</b>	<b>\$2,627</b>

<sup>a</sup>Dollar figures in this table were calculated using one IAU equals \$4.551.

<sup>b</sup>This \$127,000 contract was awarded in 1990, but U.S. Air Force officials could not cite the exact date. The contract increased the scope of a larger project originally awarded in March 1985.

<sup>c</sup>Information is not available.

If the user<sup>4</sup> nation decides a project under construction no longer has a valid military requirement, it must promptly notify the host nation and NATO. The host nation then decides to stop or continue the project. However, if the host nation does not take the requested action, the military command can ask NATO to intercede. In some cases, NATO must also decide whether a U.S. base slated for closure will have a wartime mission before it can intercede in infrastructure project construction.

**Hahn Air Base**

On May 21, 1991, the partial closure of Hahn was announced with the deactivation of the 50th Tactical Fighter Wing, effective September 30, 1991. U.S. officials at Hahn told us that discussions to eliminate or reduce tactical fighter missions at the base began as early as November 1990. Nonetheless, two contracts totaling \$2.5 million awarded in October and November 1990 were allowed to continue. The host nation was also allowed to award one contract for \$792,000 in February 1991 (see table II.1 in app. II). A U.S. Air Forces in Europe official told us that the host

<sup>4</sup>The user nation is the member country or countries whose military forces use the facility once it is completed, while the host nation is responsible for overseeing construction of the project. The host nation is usually the country where the project is built. However, the United States is the host nation for projects built in Iceland and Bermuda. The host nation is responsible for providing the land, constructing access roads, and providing utilities to the site.

nation was unofficially asked, in late 1990, to delay action to construct these facilities. However, because of complications with host nation consultation on Hahn, no formal action could be taken to cancel the projects or stop construction until the Secretary of Defense officially announced the base closure.

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### **Zweibrucken Air Base**

In January 1990, the Secretary of Defense announced that all U.S. forces would leave Zweibrucken Air Base by 1993. After the announcement, the host nation awarded a contract, valued at about \$1.7 million, and increased the scope of a previously awarded contract by about \$127,000 (see table II.2 in app. II). The host nation also allowed two additional projects, valued at about \$5 million, to proceed, even though one was only about 3 percent complete and the other about 10 percent complete.

U.S. Air Forces in Europe officials stated that the DOD base closure announcement only addressed the peacetime mission at Zweibrucken. Until NATO determined and the Air Force announced in February 1991—13 months after DOD's announcement—that Zweibrucken would have no wartime mission, all four projects were still considered valid. After the February 1991 announcement, one project was stopped at 65 percent completion, but the full contract price will be paid, and the other three were essentially completed.

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### **NATO Approved \$1.7 Billion in Projects for 1991**

Concurrent with the reassessment of infrastructure projects approved from 1985 through 1990, NATO approved the 1991 program (slice 42) valued at \$1.7 billion, which offset the reassessment savings. NATO reported that its program commitments with the approval of the 1991 program were actually marginally higher than the commitments existing prior to the reassessment. Major components of the 1991 program included funding increments of previously approved projects (\$732.2 million), restoration and upgrades of existing facilities (\$463.5 million), new projects (\$264.2 million), reimbursement for projects previously paid for by user nations (\$109.1 million), projects related to the Conventional Armed Forces in Europe treaty (\$21.7 million), and projects costing less than \$300,000 (\$57.8 million).

Our analysis of the 1991 program shows that the U.S. military services requested 44 new project starts, which accounted for about \$210 million. The majority of U.S. user projects were for such items as weapons survivability and security systems, aircraft survival measures, protective

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aircraft shelters, strategic parking aprons, airfield lighting systems, ammunition storage facilities, and restoration of runways and taxi tracts. Appendix III provides additional analyses of these projects.

By November 1991, NATO had cut about 70 million IAUs (\$291 million) from the 1991 program and is likely to eliminate an additional 20 million IAU (\$83 million), according to DOD. In fact, DOD estimates slice 42 will ultimately total only about 294 million IAU (\$1.2 billion).

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## **Recommendations**

To avoid unnecessary NATO infrastructure costs, we recommend that the Secretary of Defense endeavor to make base closure announcements in adequate time to prevent contracting for projects no longer required. Also, to prevent unnecessary infrastructure expenditures after base closure announcements, we recommend the Secretary of Defense require U.S. European Command officials to work closely with NATO to expedite decisions to cancel unneeded projects.

# Atlantic Programs Have Not Changed Significantly

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SACLANT and CINCLANT<sup>1</sup> believe that the decreased threat and planned reduction of forces in Europe place greater emphasis on the use of reinforcement forces and associated support infrastructure. Consequently, they have made few changes in their infrastructure program. Both commands have canceled or deferred some projects, although none of CINCLANT's projects had yet been approved by IPPC for funding. Consequently, there was no deobligation of U.S. funds as a result of the Commands' canceled or deferred projects.

We reviewed many of the planned CINCLANT projects at Keflavik Naval Air Station in Iceland, which accounted for about 38 percent of CINCLANT's 1991 program. We believe that some of these projects could be canceled or deferred.<sup>2</sup> Specifically, our assessment questioned the need for six requirements valued at about \$178 million. CINCLANT agreed that three requirements should be canceled or deferred. The canceled requirements totaled \$81.5 million. It believed that requirements valued at \$96.5 million should be continued. Table 4.1 identifies all requirements we asked CINCLANT to revalidate and the ones it agreed to cancel or defer.

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<sup>1</sup>CINCLANT is the U.S. unified command that oversees U.S. infrastructure projects where the United States is both the user and host nation.

<sup>2</sup>On September 12, 1991, we sent a letter of inquiry to CINCLANT that requested it to reconsider the need for projects that apparently increased its capability or required increased operation and maintenance funding to support them.

**Chapter 4  
Atlantic Programs Have Not Changed  
Significantly**

**Table 4.1: Proposed NATO Infrastructure Projects GAO Recommended Be Canceled or Deferred and CINCLANT's Response**

Dollars in millions

Project	NATO	U.S.	Total	U.S. share of NATO costs (27.8% of column 1)	Total U.S. costs <sup>a</sup>
<b>Projects canceled or deferred by CINCLANT</b>					
ASGT/ACC/ACRC <sup>b</sup>	\$27.1	0	\$27.1	\$7.5	\$7.5
JFSI <sup>c</sup> -North	20.0	\$1.0	21.0	5.6	6.6
JFSI-South	32.4	1.0	33.4	9.0	10.0
<b>Total canceled or deferred</b>	<b>\$79.5</b>	<b>\$2.0</b>	<b>\$81.5</b>	<b>\$22.1</b>	<b>\$24.1</b>
<b>Projects not changed by CINCLANT</b>					
JFSI-Southwest	\$23.4	\$2.8	\$26.2	\$6.5	\$9.3
Depot storage tanks (three)	16.9	17.5	34.4	4.7	22.2
MPA <sup>d</sup> hangers (two)	33.2	2.7	35.9	9.2	11.9
<b>Total not changed</b>	<b>\$73.5</b>	<b>\$23.0</b>	<b>\$96.5</b>	<b>\$20.4</b>	<b>\$43.4</b>
<b>Total cuts recommended by GAO</b>	<b>\$153.0</b>	<b>\$25.0</b>	<b>\$178.0</b>	<b>\$42.5</b>	<b>\$67.5</b>

<sup>a</sup>Total U.S. cost is the sum of U.S. cost plus the U.S. share of NATO cost.

<sup>b</sup>This project consists of an alternate control and reporting center (ACRC), an alternate control center (ACC), and an alternate satellite ground terminal (ASGT).

<sup>c</sup>JFSI stands for jet fuel storage installation.

<sup>d</sup>MPA stands for maritime patrol aircraft.

**CINCLANT Views Soviet Threat As Real**

CINCLANT believes that, despite the fact that budget crunches have decreased the naval threat from the former Soviet Union, its military capabilities, especially from nuclear weapons, are still impressive. In fact, Russian conventional capabilities have actually increased over the last 2 years, according to CINCLANT. CINCLANT officials stated that most of Russia's modern resources are in the Russian Northern Fleet. Therefore, Iceland's strategic importance remains critical to U.S. and NATO security interests.

Iceland is located at the natural choke points through which Russian vessels must pass to reach the North Atlantic. U.S. forces on Iceland would serve as a barrier to opposing naval forces in the event of a crisis in which the United States must reinforce and resupply forces in Europe. For this reason, CINCLANT believes the United States must continue to monitor the Russian Northern Fleet and its dedicated land-based air arm.

Air defense and maritime patrol aircraft forces deployed in Iceland provide the U.S. monitoring capabilities, according to CINCLANT. Although the political environment of Europe has lessened the threat, CINCLANT believes current resources only provide the minimal levels of defense and monitoring capability and should not be reduced further. It also noted that potential for instability in Europe demands an efficient monitoring and surveillance capability—such as that located in Iceland.

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## **SACLANT and CINCLANT Have Canceled Numerous Projects**

SACLANT has canceled or deferred 18 projects in the last 2 years, with a total value of 48.8 million IAUS (\$203.1 million). In contrast to the European Command, SACLANT has not significantly reduced the number of projects because it believes the naval threat of the former Soviet Union is still real and further cuts would be counter to the greater emphasis on the use of reinforcement forces and the infrastructure required to support those forces.

CINCLANT has continuously reviewed and revalidated projects. It deferred 44 projects valued at \$660.5 million; 22 of these projects, valued at \$574.6 million, were in Iceland. The deferred projects included several projects we had questioned. Other deferrals include such items as warehouses to store emergency runway repair equipment not currently kept in Iceland (\$8 million) and construction of a road (\$3 million). Over the past 2 years, CINCLANT has deferred another 22 projects outside Iceland where the United States was both the host nation and user nation; 15 were scheduled to be completed in the United States. No funding had been approved by NATO or obligated by the United States for the 44 projects.

CINCLANT deferred projects based on the changing threat and the reduction of operation and maintenance funds for new facilities. CINCLANT officials were particularly trying to eliminate projects that provided new capabilities as compared to those for restoration, repair, or replacement of existing facilities. Upgrading existing facilities would not require additional operation and maintenance funds.

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## **Our Review Identified Keflavik Projects for Potential Cancellation**

We found additional infrastructure projects at Keflavik that should have been deferred or canceled. They included projects that (1) may not be supportable in view of Keflavik's operation and maintenance budget and/or (2) would provide either redundant or additional capability.



Once infrastructure projects are completed, the user nation becomes responsible for all costs associated with running and maintaining the facility. Operation and maintenance funding for Keflavik increased in fiscal year 1991 but will likely be reduced in fiscal years 1992 and 1993. Projected funding shortfalls for those years were originally estimated to be \$12 and \$27 million, respectively. CINCLANT stated in April 1992 that shortfalls were not expected to reach these levels. However, CINCLANT provided no specifics on the amount of the anticipated shortfall. As of April 1992, CINCLANT expected its base operating support budget, which includes operation and maintenance funding, to decline by 14 percent from fiscal year 1991 to 1993. Shortfalls will affect CINCLANT's ability to maintain its existing facilities, let alone new ones.

In our letter of inquiry, we asked that CINCLANT reconsider projects to build (1) an alternate control and reporting center for the Iceland air defense system, (2) three of the proposed six jet fuel storage installations, (3) three depot storage tanks, and (4) maritime patrol aircraft facilities.

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## **Projects Canceled or Deferred by CINCLANT**

### **Alternate Control and Reporting Center**

One project for the Iceland air defense system was to include an alternate control and reporting center, which would include a software support facility, an alternate command center, and an alternate satellite ground terminal. These four components were valued at \$27.1 million.

The proposed reporting center had no peacetime use and was intended as a back-up facility to be used only if the primary control and reporting center were rendered inoperable. As a backup, the new facility would have provided a redundant capability. Given its projected limited use, redundant capability, and operation cost, we questioned whether the new center was justified.

CINCLANT subsequently deleted the requirements for the alternate control and reporting center and the alternate command center. It also deferred construction of the alternate satellite ground terminal while looking for alternate communications paths off the island.

However, CINCLANT believes that the software support facility will be needed to run and test programs intended for the radar facilities, including the primary command and reporting center. DOD officials said the

operations scheduled in this facility would be “state of the art” and could not be accomplished anywhere else.<sup>3</sup> The new facility will include tempest shielding for processing classified information and computer flooring. The estimated cost of this facility is \$6 million.

### **Two Jet Fuel Storage Installations**

CINCLANT had planned to build six jet fuel storage installations and limited fuel storage on the air station. These installations would allow aircraft to be refueled directly from pipelines rather than from trucks. They would allow CINCLANT to refuel many aircraft at one time using 10 16,000- and 4 8,000-barrel tanks on different parts of the airfield. Three of these facilities are to replace existing ones that are old and pose an environmental hazard. We believe these are valid reasons.

The other three facilities would add additional refueling capabilities beyond what currently exists at a cost of \$80.6 million. At the time we asked CINCLANT to evaluate the need for the three additional facilities, only one of the six was under contract.

CINCLANT decided to defer two facilities, which were estimated to cost \$54.4 million. The Command stated that these facilities have no contemplated peacetime use and their cancellation was prudent. It cited as justification the “paucity” of peacetime operation and maintenance funding and the potential to work around the absence of these facilities in wartime, including greater use of trucks, less dispersal of aircraft, and delays in refueling aircraft at existing facilities.

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### **Projects Not Changed by CINCLANT**

#### **One Jet Fuel Storage Installation**

CINCLANT believes the third storage facility, costing \$26.2 million, should be built to support the west end maritime patrol aircraft complex. However, we question the need for the complex, which is still under construction, and the storage facility.

#### **Depot Fuel Storage Tanks**

The Helguvik fuel tank farm projects are designed to provide fuel storage capability outside the air station. These projects include 10 100,000-barrel

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<sup>3</sup>By agreement with Iceland, this new software support facility will be located there.

depot storage tanks for jet fuel (7 are completed), a 25,000-barrel depot storage tank for unleaded vehicle fuel, a maintenance building, and a fuel jetty. As of April 1992, construction contracts had not been awarded for the three remaining tanks. One tank is included in the slice 43 (1992) program, while the other two tanks will be included in the slice 45 (1994) program. The estimated cost for these three tanks plus a maintenance facility is \$34.4 million; we are not questioning the maintenance facility. The Helguvik depot storage tanks are connected directly to the air station by pipeline and are designed to replace old and leaking facilities, improve fueling capabilities, and increase storage capacities.

According to our calculations, the seven completed tanks, leased storage space elsewhere in Iceland, and storage to accompany three of the six planned jet fuel storage installations are adequate to meet almost all existing NATO and U.S. requirements. These requirements are based on the time it would take to resupply Keflavik during wartime and the number and type of aircraft that would require fuel before new supplies arrive. About one-third of this requirement is for aircraft bringing troops and equipment to Europe. It should be noted that DOD's calculations of the time required to resupply Iceland include a "safety factor" of over one-third the total time.

CINCLANT basically agreed that existing and planned capacity, excluding the three planned 100,000-barrel storage tanks, generally matches existing requirements. However, part of the existing capacity consists of leased storage space away from Keflavik that CINCLANT wants to give up. It is roughly equivalent in capacity to the three additional tanks planned for Helguvik.

At our request, CINCLANT reviewed the justification for these projects. It concluded that three additional storage tanks at Helguvik were required to provide storage for European resupply, fleet operations in the north Atlantic, and any required contingency operation. It stated that this is already evident by a 200,000-barrel increase to the U.S. Air Force war reserve requirements in late 1990. We included the 200,000-barrel increase in our estimate of NATO and U.S. requirements and disagree with CINCLANT's conclusion. CINCLANT also stated that it needs to replace the leased storage space mentioned above because (1) it may be difficult to transport this fuel to Keflavik during hostilities and (2) CINCLANT believes there eventually will be an operations and maintenance cost savings of \$500,000 per year if this fuel is stored in additional tanks at Helguvik as compared to being stored in leased space some distance away. We believe

that a \$500,000-projected annual operation and maintenance savings on a \$34.4-million investment is a questionable basis for moving ahead with construction of these three tanks.

### **Sortie Generation Facilities for Maritime Patrol Aircraft**

We question the need for two sortie generation<sup>4</sup> hangars, estimated to cost about \$35.9 million, which are part of the maritime patrol aircraft facilities. The hangars are part of a series of projects designed to enable maritime patrol aircraft operations to be moved to the west end of the air station. CINCLANT wanted to move and expand these operations because of limited work space in the existing hangar and harsh weather conditions that make it hazardous for maintenance personnel to fuel and arm planes outside in the winter. CINCLANT officials stated that weather conditions, with continually blowing winds most of the year, make it difficult to work outside for any length of time. Some projects connected with this move are under contract and others are still to be awarded.

The justification for the sortie generation hangars provided to us is that this and three other projects were considered critical for moving the maritime patrol aircraft to new facilities. The justification further stated that if all four projects it described as critical were not built, these aircraft could not be adequately dispersed in the event of an attack. CINCLANT officials subsequently informed us that this linkage has been dropped, partially because NATO would not accept all the project elements, including a wash hangar, which has subsequently been canceled. The other two, a squadron operations building (\$5.8 million) and utilities (provision of electric and water supply—\$15 million), have been approved. The squadron operations building will not be built until NATO approves the sortie generation facilities. The utilities project is nearly complete.

In addition, two other projects scheduled to be built in this west end complex, estimated to cost about \$31.8 million, have been deferred. A third project has been put on hold pending the approval of an overall ordnance master plan. A cost estimate will be developed at that time.

CINCLANT officials responded that their current and projected plans stress the importance of having the capability to increase the number of aircraft operating from the Keflavik Naval Air Station during peacetime contingency operations. However, a CINCLANT official stated that the plans

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<sup>4</sup>Sortie generation refers to such activities as refueling and rearming aircraft to prepare them for their next flight.

were based on the Defense Planning Questionnaire, which only considers wartime conditions. They do not have any separate peacetime contingency plans that call for increased air operations during such contingencies.

CINCLANT further stated that modernization must continue. It added that new facilities will help increase the quality of life and improve safety for the people who work and live at the air station under difficult conditions.

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## Conclusions

SACLANT has determined that its infrastructure program needs have not been significantly affected by political changes in Europe and therefore its planned projects will undergo little change. We note that NATO has not finished revising its force structure based on the changing threat and believe SACLANT may need to further analyze its infrastructure needs in the context of NATO's revised force structure.

CINCLANT has reviewed the U.S. portion of the infrastructure program and has deferred or canceled some projects because of the changing threat and limited availability of operation and maintenance funds for new facilities.

Projects to replace or restore existing facilities may be justified. However, we question the need for projects that improve capabilities and increase the United States' financial commitments when the threat NATO faces appears to be diminishing. In the case of the hangars, we recognize that they improve working conditions for U.S. military personnel. However, CINCLANT has done without these facilities until now. We do not believe that the construction of facilities that provide additional capability can be justified before NATO completes revising its force structure. We also note the seeming contradiction of accepting additional operation and maintenance funding commitments at a time when DOD is cutting those funds for the Keflavik Naval Air Station.

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## Recommendation

We recommend that the Secretary of Defense instruct CINCLANT to reassess and more fully justify planned NATO infrastructure projects for the Keflavik Naval Air Station that would provide additional capability or may not be supportable because of planned reductions in operation and maintenance funding.

# Summary of U.S. European Commands' Canceled and Deferred Infrastructure Projects

**Table I.1: Number and Value of Canceled and Deferred Projects**

Dollars in thousands						
U.S. command	Canceled		Deferred		Total	
	Number	Amount	Number	Amount	Number	Amount
<b>1985-1990</b>						
Air Force	52	\$341,022	25	\$424,394	77	\$765,416
Army	4	54,477	49	367,638	53	422,115
Navy	1	18,993	0	0	1	18,993
<b>Total</b>	<b>57</b>	<b>\$414,492</b>	<b>74</b>	<b>\$792,032</b>	<b>131</b>	<b>\$1,206,524<sup>a</sup></b>
<b>1991</b>						
Air Force	8	\$50,995	11	\$86,957	19	\$137,952
Army	6	6,659	10	77,840	16	84,499
Navy	1	1,989	0	0	1	1,989
<b>Total</b>	<b>15</b>	<b>\$59,643</b>	<b>21</b>	<b>\$164,797</b>	<b>36</b>	<b>\$224,440</b>

<sup>a</sup>The total value of the projects was \$1.4 billion. However, we reduced this value by \$215 million because construction of some projects continued after requirements were canceled, some projects were duplicated in Air Force files, or canceled projects included costs lost to up-front project design.

**Table I.2: Reasons for Project Cancellations and Deferrals**

Command	Force reduction (restructuring)		Operation and maintenance costs		Other <sup>a</sup>	
	1985-1990	1991	1985-1990	1991	1985-1990	1991
<b>Cancellations</b>						
Air Force	42	2	0	0	10	6
Army	2	6	2	0	0	0
Navy	0	0	0	0	1	1
<b>Total</b>	<b>44</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>11</b>	<b>7</b>
<b>Deferrals</b>						
Air Force	1	0	0	0	24	11
Army	48	10	1	0	0	0
Navy	0	0	0	0	0	0
<b>Total</b>	<b>49</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>24</b>	<b>11</b>

<sup>a</sup>Projects in the other category include such reasons as duplicate projects, increment not needed, existing facility provided, violates SACEUR moratorium, and base closure.

# Construction Scheduled for Hahn and Zweibrucken Air Bases

Table II.1: Hahn Air Base

NATO project	Month contract awarded	Date work started	Scheduled completion date	Total NATO costs
Construct ammunition igloos	Aug. 1989	Nov. 1989	June 1991	\$5,757
Construct four aircraft shelters and fuel shelter	Oct. 1989	Apr. 1990	Dec. 1991 <sup>a</sup>	7,764
Restore taxi track lighting	Oct. 1990	Nov. 1990	Sept. 1991 <sup>b</sup>	2,225
Construct liquid oxygen storage	Nov. 1990	Jan. 1991	Dec. 1991 <sup>b</sup>	275
Restore hangar doors	Feb. 1991	Sept. 1991 <sup>c</sup>	Sept. 1991 <sup>b</sup>	792
<b>Total</b>				<b>\$16,813</b>

<sup>a</sup>This date is an estimate based on the fact that work on the fourth shelter was scheduled to begin in January 1991; however, base officials have refused to allow the contractor to begin work on the fourth aircraft shelter. The base has accrued about \$30,000 in delay costs, as of August 1991.

<sup>b</sup>This date is an estimate.

<sup>c</sup>This date is an estimate. Although the contractor has built the hangar doors, base officials have delayed on-site construction until inactivation of the 50th tactical fighter wing in September 1991. As a result, the base has accrued about \$22,000 in delay costs, as of August 1991.

Table II.2: Zweibrucken Air Base

Dollars in thousands				
NATO project	Month contract awarded	Date work started	Date completion scheduled	Total NATO costs
Construct APIF <sup>a</sup>	Oct. 1989	Nov. 1989	Oct. 1991	\$4,760
POL-Pipeline protection <sup>b</sup>	Nov. 1989	Nov. 1989	Sept. 1990	209
Construct ASM communications <sup>c</sup>	Feb. 1990	Mar. 1990	<sup>d</sup>	1,720
Construct jet fuel storage facility	1990 <sup>e</sup>	Aug. 1990	Apr. 1991	127
<b>Total</b>				<b>\$6,816</b>

<sup>a</sup>This project is for an aerial photo interpretation facility.

<sup>b</sup>The pipeline provides cathodic protection to a petroleum oil and lubricant pipeline.

<sup>c</sup>This was an airfield survivability measures project to connect communication equipment between aircraft shelters and the squadron operations building.

<sup>d</sup>Construction was halted at about 65 percent completion. However, an Air Force program manager told us that NATO will pay the total cost of the project due to the advanced stage of construction.

<sup>e</sup>This project was part of a larger project originally awarded in March 1985. Construction of the storage facility was omitted and later built as a separate project. Only this part is applicable to the scope of our work.

# Summary of U.S. European Commands' Approved New Start and Continuation Projects for Slice Year 1991

**Table III.1: Approved New Start and Continuation Projects**

Dollars in thousands						
U.S. command	Continuation		New starts		Total	
	Number	Amount	Number	Amount	Number	Amount
Air Force	17	\$157,965	29	\$158,316	46	\$316,281
Army	5	43,822	3	7,577	8	51,399
Navy	1	20,480	12	43,858	13	64,338
<b>Total</b>	<b>23</b>	<b>\$222,267</b>	<b>44</b>	<b>\$209,751</b>	<b>67</b>	<b>\$432,018</b>

**Table III.2: Types of Projects Approved for Slice Year 1991**

U.S. command	Airfields	Reinforcement support	Naval base	Other	Total
Air Force	43	2	0	1	46
Army	1	5	0	2	8
Navy	4	2	7	0	13
<b>Total</b>	<b>48</b>	<b>9</b>	<b>7</b>	<b>3</b>	<b>67</b>



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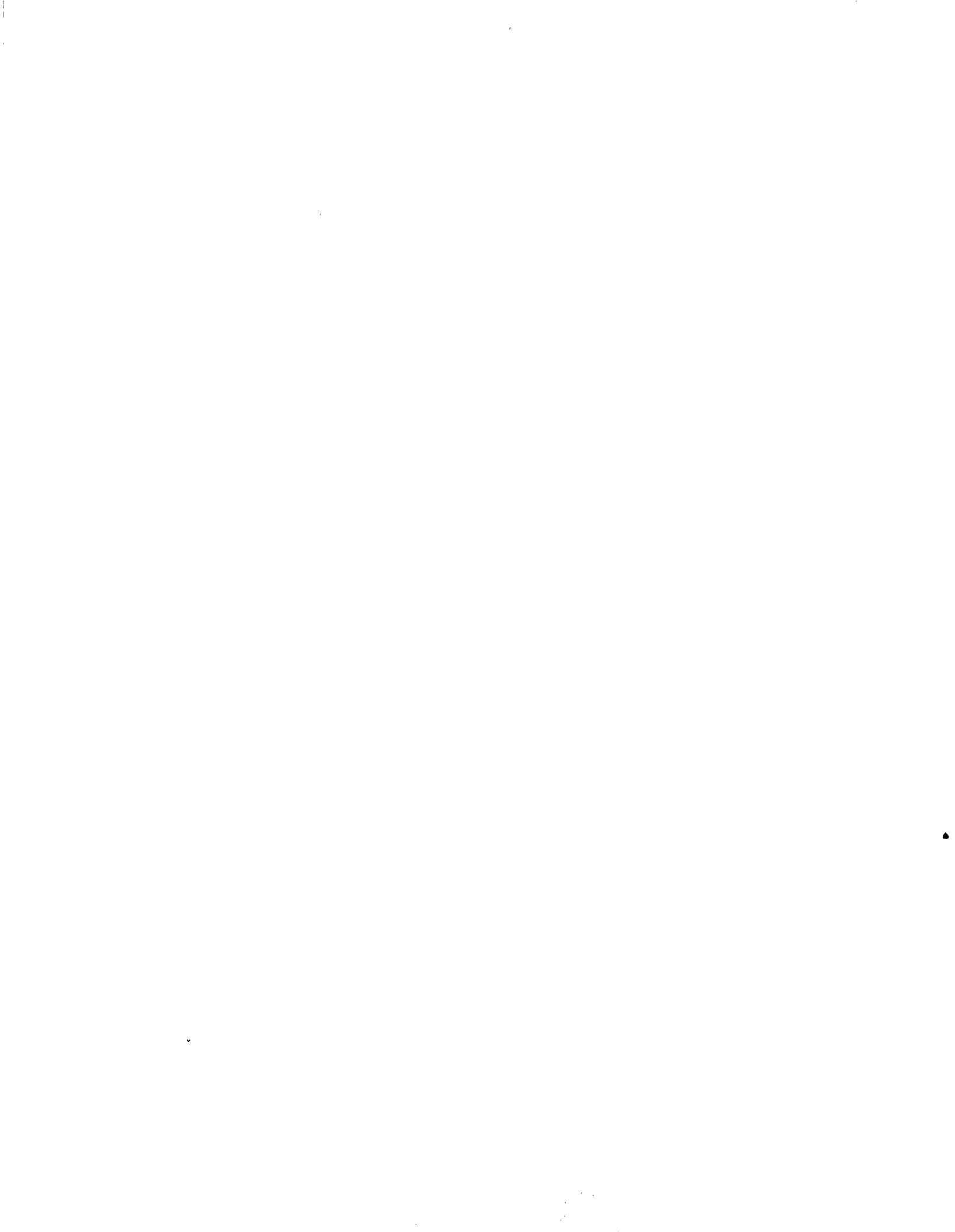
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